ECONOMICS · IOWA

Economics

Practice Test

Unit 1: Microeconomics

25 Questions

Original practice test based on the Iowa curriculum. Work through each question, then check your answers at the end.

This practice test was made by AI and there may be mistakes. If a question or answer looks wrong, use the Flag a mistake button to let Brett know so he can fix it.

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Question 1

When the price of a good rises and all else stays the same, what happens to the quantity demanded?

A) It rises

B) It falls

C) It stays the same

D) It becomes zero

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Question 2

When the price of a good rises and all else stays the same, what happens to the quantity supplied?

A) It falls

B) It stays the same

C) It rises

D) It becomes zero

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Question 3

If the price of butter rises, what happens to the demand for margarine, a substitute for butter?

A) It falls

B) It rises

C) It stays the same

D) It becomes zero

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Question 4

If the price of printers falls, what happens to the demand for printer ink, a complement to printers?

A) It falls

B) It stays the same

C) It becomes zero

D) It rises

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Question 5

If household incomes rise, what happens to the demand for a normal good?

A) It rises

B) It falls

C) It stays the same

D) It becomes zero

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Question 6

At a price of 8, quantity demanded is 80 units and quantity supplied is 50 units. How large is the shortage, in units?

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Question 7

A price ceiling is set below the equilibrium price. What market outcome is most likely?

A) A surplus

B) A shortage

C) No change

D) Equilibrium

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Question 8

A price floor is set above the equilibrium price. What market outcome is most likely?

A) A shortage

B) No change

C) A surplus

D) Equilibrium

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Question 9

If price is 12 and quantity sold is 25, what is total revenue?

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Question 10

The price of a good rises from 20 to 22, a 10 percent increase. Quantity demanded falls from 100 to 80, a 20 percent decrease. What is the price elasticity of demand?

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Question 11

Total cost is 200 when output is 10 units and 260 when output is 11 units. What is the marginal cost of the 11th unit?

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Question 12

A firm has total revenue of 500 and total cost of 350. What is its profit?

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Question 13

A student must choose between studying and working a shift. The opportunity cost of studying is

A) The cost of textbooks

B) The value of the shift given up

C) The cost of tuition

D) The value of all other options

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Question 14

On a production possibilities curve, what does a point outside the curve represent?

A) An efficient outcome

B) An inefficient outcome

C) An outcome with idle resources

D) An unattainable outcome

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Question 15

Which market structure has many firms selling an identical product?

A) Perfect competition

B) Monopoly

C) Oligopoly

D) Monopsony

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Question 16

Which market structure has a single seller protected by barriers to entry?

A) Perfect competition

B) Monopoly

C) Monopolistic competition

D) Oligopoly

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Question 17

A factory pollutes a river. The pollution is a negative externality because

A) Private cost exceeds social cost

B) Private benefit exceeds social benefit

C) Social cost exceeds private cost

D) Social benefit exceeds private benefit

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Question 18

Which of the following is a public good?

A) National defense

B) A sandwich

C) A haircut

D) A movie ticket

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Question 19

What does the law of diminishing marginal utility state?

A) Each extra unit gives more satisfaction than the last

B) Each extra unit gives less additional satisfaction than the last

C) Total utility always falls

D) Marginal utility is always zero

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Question 20

A change in consumer income causes what kind of change in the demand curve?

A) A movement along the curve

B) A shift of the curve

C) A change in slope only

D) No change at all

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Question 21

A worker can make 4 pizzas or 8 salads in one hour. What is the opportunity cost of one pizza, in salads?

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Question 22

A buyer is willing to pay 30 for a book but pays only 20. What is the best name for the 10 difference?

A) Producer surplus

B) Consumer surplus

C) Deadweight loss

D) Marginal cost

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Question 23

A new technology lowers the cost of producing bicycles. What happens to bicycle supply?

A) It decreases

B) It stays the same

C) It increases

D) It becomes zero

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Question 24

If the wage for a job rises, what happens to the quantity of labor supplied, all else equal?

A) It falls

B) It stays the same

C) It rises

D) It becomes zero

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Question 25

A business owner gives up a salary of 40000 to run her own shop. That forgone salary is an example of

A) An explicit cost

B) A fixed cost

C) An implicit cost

D) A sunk cost

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ANSWER KEY

1. B
2. C
3. B
4. D
5. A
6. 30
7. B
8. C
9. 300
10. 2
11. 60
12. 150
13. B
14. D
15. A
16. B
17. C
18. A
19. B
20. B
21. 2
22. B
23. C
24. C
25. C

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